



***PLANNING & DEVELOPMENT
COMMITTEE***
March 20, 2019

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent 100% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

- **SB 882 An Act Concerning Municipal Arbitration And The
Municipal Employees' Retirement System**

Good afternoon Committee Chairs, Ranking Members and members of the Planning and Development Committee. My name is Ken Beausoleil and I am the First selectman of Thompson. I am submitting written testimony on behalf of the town of Thompson and CCM to support SB 882.

Previously, the town of Thompson was required to make a contribution of 11.74% into the Municipal Employee Retirement Fund (MERF) for all employees enrolled in the Municipal Employee Retirement System. Employees have been required to make a contribution of 2.25%. In 2012, the great disparity between contribution rates caused the town to enroll newly hired employees in a defined contribution plan.

Over the years as the MERF has been actuarially evaluated, municipal employer contribution rates have steadily increased to ensure adequate funding and solvency. As the statutorily required contribution has risen, the burden of the contribution has been borne disproportionately by municipal employers. As of July 2018, MERF is funded at 86.1% much better financed than the State Employees' Retirement System or the Teachers' Retirement System.

This situation was exacerbated by the State Retirement Commission's decision in January 2019 to reduce the anticipated rate of return for the MERF from 8% to 7%. While fiscally sound, this decision creates a significant funding gap and results in an increased contribution required by municipal employers. As a result, municipal employers enrolled in MERS are facing an increase in required contributions of 11.74% to 14.22% for non-hazardous duty employees and 17.13% to 19.95% for hazardous duty employees.

MERS is financed through employer contributions, employee contributions and fund earnings. It does not receive any assistance from the State. Additionally, in the town of Thompson, any employee that works 20 hours a week or more is eligible for benefits. Accordingly, the current framework is no longer sustainable unless there are significant changes made to MERS and employees are required to contribute



their fair share. The proposed changes outlined in SB 882 are reasonable measures that must be taken to help ensure municipalities are able to continue providing retirement benefits to employees in a sustainable way.

The Legislature created The State Employee Retirement System (SERS) and MERS in the 1940s. The State Legislature made many changes to SERS over the years in order to contain costs and help ensure sustainability. However, MERS has never been adjusted.

As a result, MERS is currently most similar to the SERS Tier I plan that was replaced by the State because it was found to be unsustainable. The contribution rates are also set in statute and they place an almost exclusive burden on municipal employers to increase contributions to accommodate changing market and participant conditions.

Additionally, if a municipality is enrolled in MERS, they must enroll all employees of the same class in MERS. This prevents employers from maintaining a MERS benefit for senior employees while providing newly hired employees a different type of retirement benefit. Furthermore, if a municipal employer withdraws from MERS they are prevented from providing employees a different retirement benefit that does not meet the same levels of the MERS benefits they currently receive.

Accordingly, CCM is asking for the ability to create a new tier within MERS that would:

- Exclude overtime from retirement benefit calculations;
- increase the retirement age to 62;
- limit cost-of-living increases to between 0 and 2%; and
- increase employee contributions.

The Town of Thompson and CCM urges the Committee to **favorably report on SB 882.**

★★★★

If you have any questions, please contact Donna Hamzy Carroccia, Advocacy Manager of CCM at dhamzy@ccm-ct.org or (203) 843-0705, or Daniel C. Giungi, Senior Legislative Associate for CCM, at dgiungi@ccm-ct.org or (203) 498-3023.